ASC
ACCOUNTING STANDARDS COUNCIL

21 October 2011

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

(By online submission)

Dear Sirs

RESPONSE TO ED/2011/3 MANDATORY EFFECTIVE DATE OF IFRS 9

The Singapore Accounting Standards Council appreciates the opportunity to comment on ED/2011/3 *Mandatory Effective Date of IFRS 9* (the ED) issued by the International Accounting Standards Board (the Board) in August 2011.

General

We applaud the Board's efforts to take into account constituents' views obtained during the outreach on the project to replace IAS 39, as well as the responses to the Request for Views on *Effective Dates and Transition Methods* (the RV) published by the Board in October 2010. We believe the proposal to defer the mandatory effective date of IFRS 9 is a step in the right direction, in view of the extension of the Board's timeline for completion of the remaining phases of the IAS 39 replacement project beyond 2011. However, we urge the Board to re-consider the ED proposal not to change the current requirement in IFRS 9 pertaining to presentation of comparatives.

Our comments on the specific questions in the ED are as follows:

Question 1:
The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We strongly support the Board's proposal to defer the effective date of IFRS 9. We believe that all three phases of the IAS 39 replacement project should be made effective at a single point in time so that entities can adopt all phases concurrently, which would allow them to evaluate their classification and measurement decisions in light of the new impairment and hedge accounting requirements. Accordingly, the deferral of the effective date of IFRS 9 is appropriate given the delay in the timeline for completion of the remaining phases of the project. In addition, the deferral would give the Board more time to deliberate the remaining phases of the project rigorously and to carry out adequate stakeholder outreach and field-testing, which are imperative to the development of a high quality global standard.

However, we urge the Board to re-consider the date of 1 January 2015 in order to ensure that there is sufficient lead time for entities to implement the new requirements. In this regard, in line with our comments in the RV, we would like to propose that the Board consider an effective date that allows entities a lead time of <u>at least 3 years</u> from the date of completion of the entire IAS 39 replacement project. In addition, if the timelines for completion of the IAS 39 replacement project and the other key projects (namely Insurance Contracts, Revenue from Contracts with Customers, Leases) happen to run parallel to one another, we believe that it would be useful to align the effective dates of these standards. This is because a single effective date would: (a) better preserve users' understanding of the financial statements rather than having to grapple with sequential piecemeal fundamental changes year on year, (b) avoid the potential cross cutting issues that could arise when the new IFRSs are adopted in a piecemeal manner, (c) prevent accounting mismatches for insurers and ensure that insurers would not have to face two rounds of major changes in a short period of time, and (d) minimise reporting burden on preparers. That said, we believe that the alignment of effective dates should not cause any undue delay on the issuance of IFRS 9 and that the Board should consider dedicating the highest priority to complete the IAS 39 replacement project.

Question 2:
The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We disagree with the proposal. We are of the view that the current relief in IFRS 9 from the restatement of comparatives (the comparative relief) should be extended to <u>all</u> early adopters on the following grounds:

- The Board should give due consideration to entities that choose to adopt IFRS 9 in its entirety rather than in phases as it may not be optimal to implement IFRS 9 in phases given the interrelationships between the phases. As phases 2 and 3 of the project are still on-going, these entities would not be able to enjoy the comparative relief when they adopt phase 1 together with phases 2 and 3 before the eventual mandatory effective date. In this regard, we understand that the number of early adopters of phase 1 in jurisdictions that had already adopted the standard is fairly small, i.e. it appears most entities prefer not to adopt IFRS 9 in a piecemeal manner, and accordingly, the comparative relief offers limited benefit in practice.

- Singapore as well as many other jurisdictions such as the European Union has deferred the adoption of IFRS 9 due to various reasons including the delays in the project timeline (the entire IAS 39 replacement project was originally slated to be completed by the Board in 2010), the lack of sufficient clarity on phases 2 and 3 of the project, the possibility of further changes to IFRS 9, and the unresolved convergence with US GAAP. Entities in these jurisdictions would not be able to enjoy the comparative relief even if they early adopt IFRS 9 upon endorsement of the standard by their jurisdictions.

- In our comment letter to the Exposure Draft on *Financial Instruments: Amortised Cost and Impairment*, we had recommended that the Board consider providing relief similar to that in phase 1 to early adopters should the Board decide to mandate the restatement of comparatives. In this regard, entities that adopt phases 1 and 2 of the project in the same reporting period would end up with a 'partial restatement model' if the cut-off date for the comparative relief for phase 1 is not extended, i.e. these entities would be required to restate comparatives for phase 1 but not for phase 2. We believe the 'partial restatement' model would cause significant confusion to users. This issue would not arise if the comparative relief for phase 1 is extended to all early adopters.

- As a general principle, we believe there is merit for the Board to provide relief to early adopters by simplifying the transitional requirement such that it does not create undue obstacles for entities to apply the new standard before its mandatory effective date if it makes economic sense for them to do so.

We hope that our comments will contribute to the Board's deliberation on the ED. Should you require any further clarification, please contact the project manager at kate_ho@acra.gov.sg.

Yours faithfully

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Secretary
Singapore Accounting Standards Council